

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549



FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarter ended January 31, 1992

Commission File No. 0-14733

DELTA COMPUTEC INC.

(Exact name of registrant as specified in its charter)

New York
(State of Incorporation)

16-1146345
(I.R.S. Employer I.D. No.)

6647 Old Thompson Road, Syracuse, NY
(Address of Principal Executive Offices)

13211
(Zip Code)

Registrant's telephone number including area code: (315) 437-2202

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes x No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report.

Class	Number of Shares Outstanding
Common Stock, Par Value \$.01 Per Share	<u>3,070,825</u> Shares

There are 13 pages to this report.

The index to Exhibits is located on page 12 of this report.

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DELTA COMPUTEC, INC.
Form 10-Q
Quarter Ended January 31, 1992

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DELTA COMPUTEC INC.
CONSOLIDATED BALANCE SHEETS

ASSETS

	(Unaudited)	
	January 31, 1992	October 31, 1991
CURRENT ASSETS:		
Cash	\$ 49,340	\$ 56,160
Accounts receivable, less allowance for doubtful accounts of \$31,474 and \$19,672 at January 31, 1992 and October 31, 1991 respectively	978,287	915,323
Inventories	1,330,087	1,328,079
Prepaid expenses and other current assets	<u>136,923</u>	<u>185,655</u>
Total current assets	\$2,494,637	\$2,485,217
FIELD SPARE PARTS, net of accumulated amortization	\$2,229,853	\$2,317,314
PROPERTY AND EQUIPMENT, at cost:		
Diagnostic and repair equipment	\$1,184,510	\$1,183,550
Furniture and fixtures	397,165	396,505
Vehicles	70,414	70,414
Leasehold improvements	37,128	31,774
	<u>\$1,689,217</u>	<u>\$1,682,243</u>
Less: Accumulated depreciation	<u>1,226,929</u>	<u>1,177,891</u>
	\$ 462,288	\$ 504,352
INVESTMENT IN AFFILIATED COMPANY	\$ 33,573	\$ -
OTHER ASSETS:		
Goodwill	\$ 521,567	\$ 522,135
Customer lists	240,216	239,858
Other assets	132,027	125,721
	<u>\$ 893,810</u>	<u>\$ 887,714</u>
	\$6,114,161	\$6,204,597
	*****	*****

See notes to consolidated financial statements.

DELTA COMPUTEC INC.
CONSOLIDATED BALANCE SHEETS

	(Unaudited)	
	January 31, 1992	October 31, 1991
CURRENT LIABILITIES:		
Notes payable	\$ 229,525	\$ 117,755
Current portion of long-term debt	399,783	382,438
Accounts payable	549,871	476,063
Deferred service revenue	1,696,932	1,940,860
Accrued expenses		
Payroll and payroll taxes	169,906	153,510
Interest	36,194	29,342
Other	<u>136,944</u>	<u>201,112</u>
Total current liabilities	\$3,219,155	\$3,301,080
LONG-TERM DEBT	\$ 642,215	\$ 770,224
CONVERTIBLE DEBENTURES	\$1,000,000	\$1,000,000
STOCKHOLDERS' INVESTMENT		
Common stock, \$.01 par value; authorized 20,000,000 shares; issued and outstanding, 3,070,825	\$ 30,708	\$ 30,708
Additional paid-in capital	2,878,215	2,878,215
Accumulated deficit	<u>(1,656,132)</u>	<u>(1,775,630)</u>
Total stockholders' investment	<u>\$1,252,791</u>	<u>\$1,133,293</u>
	\$6,114,161	\$6,204,597
	=====	=====

See notes to consolidated financial statements.

DELTA COMPUTEC INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	<u>Three Months Ended</u> <u>January 31,</u>	
	<u>1992</u>	<u>1991</u>
REVENUES:		
Service revenues	\$2,016,590	\$1,870,622
Equipment sales	<u>136,734</u>	<u>357,220</u>
	\$2,153,324	\$2,227,842
COSTS AND EXPENSES:		
Service costs	\$1,264,635	\$1,165,144
Cost of equipment sold	<u>92,850</u>	<u>279,076</u>
Selling, general and administrative	<u>642,990</u>	<u>660,806</u>
	\$2,000,475	\$2,105,026
OTHER INCOME (EXPENSE)	\$ (32,351)	\$ (58,526)
EQUITY IN NET EARNINGS OF AFFILIATE	<u>\$ 8,000</u>	<u>\$ -</u>
EARNINGS BEFORE INCOME TAXES	\$* 128,498	\$ 64,290
INCOME TAXES	<u>\$ 49,000</u>	<u>\$ 24,400</u>
EARNINGS BEFORE EXTRAORDINARY CREDIT	\$ 79,498	\$ 39,890
EXTRAORDINARY CREDIT		
Utilization of Net Operating Loss Carry Forward	<u>\$ 40,000</u>	<u>\$ 22,000</u>
NET EARNINGS	\$ 119,498 =====	\$ 61,890 =====
EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE:		
Before extraordinary credit	\$.02	\$.01
Earnings	\$.04	\$.02
EARNINGS PER COMMON SHARE - ASSUMING FULL DILUTION:		
Before extraordinary credit	\$.02	\$.01
Earnings	\$.02	\$.01

See notes to consolidated financial statements.

DELTA COMPUTEC INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended January 31,	
	<u>1992</u>	<u>1991</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Net earnings before extraordinary credit	\$ 79,498	\$ 39,890
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Utilization of net operating loss carryforward	40,000	22,000
Depreciation & amortization	232,015	218,036
Decrease (increase) in accounts receivable		
inventories, prepaid expenses and other assets, net of accounts payable and accrued expenses	(1,570)	(134,851)
Increase (decrease) in deferred service revenue	<u>(232,247)</u>	<u>76,756</u>
Net cash flow from operating activities	<u>\$ 117,696</u>	<u>\$ 221,831</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Additions to property and equipment	\$ (6,974)	\$ (20,699)
Additions to field spare part	(118,648)	(76,753)
Acquisition of businesses (Note 2)	<u>-</u>	<u>(25,000)</u>
Net cash flow from investing activities	<u>\$ (125,622)</u>	<u>\$ (122,452)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from borrowing	\$ 150,000	\$ -
Principal repayments for long-term debt	<u>\$ (148,894)</u>	<u>\$ (107,471)</u>
Net cash flow from financing activities	<u>\$ 1,106</u>	<u>\$ (107,471)</u>
NET INCREASE (DECREASE) CASH	\$ (6,820)	\$ (8,092)
CASH - beginning of year	<u>56,160</u>	<u>53,309</u>
CASH - end of period	<u>\$ 49,340</u> =====	<u>\$ 45,217</u> =====

See notes to consolidated financial statements.

DELTA COMPUTEC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Description of Business

The Company primarily provides on-site and depot maintenance services for mini-computer systems and peripheral equipment, laser printers and personal computers. The Company also sells laser printers, laser printer supplies, computer systems and peripheral equipment and spare parts.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary RAM Associates Electronic Data Products Service Inc.. All significant intercompany accounts and transactions have been eliminated in consolidation.

Investment in Affiliated Company

Investments in unconsolidated affiliates are accounted for using the equity method.

Deferred Service Revenue

Service revenue is recognized ratably over the contract period. Deferred service revenue represents billings in advance of the service period.

Inventories

Inventories represent the estimated amount of field spare parts and computer equipment and peripherals held for resale in the normal course of business or expected to be consumed providing service in the next year. These inventories are recorded at the lower of cost or market.

Field Spare Parts

Field Spare Parts are stated at cost and are amortized using the straight-line method over the estimated useful lives (5 years). Accumulated amortization was \$1,136,558 and \$1,031,683 for period ended January 31, 1992 and October 31, 1991, respectively.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method based on estimated useful lives which are as follows:

<u>Description</u>	<u>Estimated Useful Lives</u>
Diagnostic and repair equipment	5 - 7 years
Furniture and fixtures	7 years
Vehicles	3 years
Leasehold improvements	5 -10 years

Maintenance and repairs are charged to expense as incurred. The cost of renewals or betterments that increase the useful lives of the assets is capitalized in the appropriate asset account. The gain or loss on property retired or otherwise disposed of is credited or charged to operations and the cost and accumulated depreciation are removed from the accounts.

Investment Tax Credits

The Company uses the flow-through method of accounting for investment tax credits.

Goodwill

Goodwill, representing the excess of the cost of acquired businesses over the fair value of net assets acquired, is being amortized on a straight-line basis over a ten-year period.

Customer Lists

Customer lists, representing the fair market value of customer lists for businesses acquired, is being amortized on a straight-line basis over a ten-year period.

Earnings Per Share

Earnings per common and common equivalent share are computed based upon the weighted average of common shares outstanding during each year adjusted for dilutive outstanding stock options using the Treasury Stock Method. Earnings per common and common equivalent share assuming full dilution are computed on the assumption that all outstanding convertible debentures were exercised on the issue date. Applicable interest expense was eliminated.

Weighted average common and equivalent shares outstanding for the periods presented were as follows:

	January 31,	
	1991	1990
Weighted average common and equivalent shares	3,222,667	3,110,028
Weighted average common and equivalent shares outstanding assuming full dilution	5,755,112	5,691,028

(2) Acquisitions

In October, 1991 the Company reached an informal agreement to merge its operations in Florida (which are not material to the Company's consolidated financial position) with Systems Automation, Inc. (SAI), a Florida Corporation. SAI provides sales and service for a variety of Network systems and products. Terms of the merger, give the Company a minority interest in the new Joint Venture with the option to purchase the remaining shares at a percentage of revenue.

In October, 1991 the Company acquired the computer maintenance operations of Marketline International, Inc. (MLI), a New Jersey corporation. Terms of the purchase agreement required cash of \$17,500 and a promissory note of \$45,000. The results of MLI from October 1, 1991 were included in the consolidated financial statements.

In November, 1990 the Company purchased the outstanding common stock of Computer Support, Inc. (CSI), a computer service company for approximately \$125,000. Terms of the purchase called for \$25,000 in cash at closing and a promissory note of \$100,000. The results of CSI from November 1, 1990 are included in the consolidated financial statements.

In June, 1990 the Company acquired the outstanding common stock of RAM Associates Electronic Data Processing Service, Inc. (RAM). RAM is primarily a third party computer maintenance company specializing in the laser printer market. The purchase price was \$250,000 (plus acquisition-related costs) with bank debt of approximately \$740,000 assumed and paid as a condition of the sale. Terms of the purchase agreement called for \$250,000 in cash. Goodwill of \$552,000 was recorded in the purchase. The results of RAM from June 1, 1990, were included in the consolidated financial statements.

In June, 1990 the Company also purchased the assets of RTK Computer Services, Inc., a New Jersey corporation. RTK provides third party maintenance service for personal computers. The purchase price was \$530,000 (plus acquisition-related costs). Terms of the purchase price called for \$1.00 in cash at closing plus assumption of \$530,000 in liabilities. The results of RTK from June 1, 1990, are included in the consolidated financial statements.

In September, 1989, the Company purchased the assets of the Computer Maintenance Corporation, Inc. (CMC), a computer service company for approximately \$700,000. Terms of the purchase called for \$80,000 in cash, assumption of \$23,000 in liabilities and a promissory note of \$595,000. The results of CMC from September 8, 1989, are included in the consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial
Conditions and Results of Operations

Results of Operations

Operating results for the three months ended January 31, 1992 reflected net earnings of \$119,498 or \$.04 per share compared to net earnings of \$61,890 or \$.02 per share for the three months ended January 31, 1991. The improved operating results were primarily due to cost savings achieved from consolidating the Registrants' three New Jersey operations in the third quarter of fiscal 1991, reduced interest expense due to scheduled debt reductions and declining interest rates and its 34% interest in the earnings of the Registrants' new subsidiary SAI/Delta, Inc.

Revenues

Revenues were \$2,153,324 for the three months ended January 31, 1992 compared with \$2,227,842 for the three months ended January 31, 1991. Revenues decreased \$74,518 or 3.5% for the quarter ended January 31, 1992 compared with the quarter ended January 31, 1991. Service revenues increased 7.9% for the three months ended January 31, 1992 compared with the three months ended January 31, 1991. This increase in service revenues was offset by a decline in equipment sales for the three months ended January 31, 1992 compared with the three months ended January 31, 1991, in which several large non-recurring equipment sales were made.

Costs and Expenses

Service costs were \$1,264,635 for the three months ended January 31, 1992 compared with \$1,165,144 for the three months ended January 31, 1991. Service costs increased \$99,491 or 8.5% for the quarter ended January 31, 1992 compared with the quarter ended January 31, 1991. The increase in service costs reflects the incremental costs associated with the increase in service revenue for the period. Service costs as a percentage of service revenue was approximately 62.5% for both periods presented.

Cost of equipment sold was \$92,850 for the three months ended January 31, 1992 compared with \$279,076 for the three months ended January 31, 1991. This decrease was due to the decline in equipment sales for the period. Cost of equipment sold as a percentage of equipment sales decreased from 78.1% to 67.9% for the three months ended January 31, 1992 compared with the three months ended January 31, 1991. This decrease reflects a low markup on several large equipment sales made during the three months ended January 31, 1991.

Selling, general and administrative expenses were \$642,990 for the three months ended January 31, 1992 compared with \$660,806 for the three months ended January 31, 1991. Selling general and administrative expenses decreased \$17,816 or 2.7% for the quarter ended January 31, 1992 compared with the quarter ended January 31, 1991. This decrease was primarily due to cost savings achieved from consolidating the Registrant's three New Jersey operations in the third quarter of fiscal 1991.

Item 2. (Continued)

Other income (expense) was \$(32,351) for the three months ended January 31, 1992 compared with \$(58,526) for the three months ended January 31, 1991. Other income (expense) decreased \$26,175 or 44.7% for the quarter ended January 31, 1992 compared with the quarter ended January 31, 1991.

Income tax expense was \$49,000 for the three months ended January 31, 1992 compared with \$24,400 for the three months ended January 31, 1991. The effective income tax rate was 38% for the quarters ended January 31, 1992 over January 31, 1991. The Company recognized an extraordinary credit of \$40,000 and \$22,000 for the three months ended January 31, 1992 and January 31, 1991, respectively to reflect utilization of a net operating loss carryforward.

Liquidity and Capital Resources

The Company has financed its working capital requirements and capital expenditures from cash flow provided by operations. The company financed debt service for the three months ended January 31, 1992 through short-term borrowings. Cash flow provided from operations for the quarter was \$117,696. In February, 1992, the Company received a bank commitment for a secured line of credit and term loan which will enable the company to retire existing bank debt and borrow up to \$300,000 for short-term financing. The Company anticipates executing a definitive agreement during the second quarter of fiscal 1992.

Capital expenditures for spare parts and property, plant and equipment were \$125,622 for the quarter ended January 31, 1992 compared with \$97,452 for the quarter ended January 31, 1991.

Depreciation and amortization expense was \$232,015 for the quarter ended January 31, 1992 compared with \$218,036 for the quarter ended January 31, 1991.

DELTA COMPUTEC, INC.
PART II
OTHER INFORMATION

Item 6: Exhibits and Reports on Form 8-K

- (a) Exhibit 11 - Statement regarding computation of earnings per share
- (b) Reports on Form 8-K - None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

Dated: March 9, 1992

DELTA COMPUTEC INC.

By:


L. Rodger Loomis, President, CEO

By:

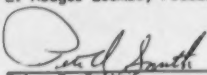

Peter D. Smith
Chief Financial Officer

Exhibit 11

DELTA COMPUTEC INC.CALCULATION OF EARNINGS PER SHARE19911990Primary

Net earnings	<u>\$ 119,498</u>	<u>\$ 61,890</u>
Average Common Shares Outstanding	3,070,825	3,070,825
Dilutive Effect of Stock Options	<u>151,842</u>	<u>120,203</u>
Weighted Average Shares Outstanding	<u>3,222,667</u>	<u>3,191,028</u>
Earnings Per Common and Common Equivalent Shares	<u>\$.04</u>	<u>\$.02</u>
	*****	*****

Assuming Full
Dilution

Net Earnings	<u>\$ 119,498</u>	<u>\$ 61,890</u>
Add-Reduction in Interest Expense on Debentures	<u>12,543</u>	<u>19,233</u>
Net Earnings Assuming Full Dilution	<u>\$ 132,041</u>	<u>\$ 81,123</u>
Weighted Average Shares Outstanding	3,222,667	3,191,028
Additional Dilutive Effect Of Stock Options	32,443	-
Dilutive Effect of Shares Applicable To Convertible Debenture	<u>2,500,000</u>	<u>2,500,000</u>
Weighted Average Shares Outstanding	<u>5,755,112</u>	<u>5,691,028</u>
Earnings Per Common Share Assuming Full Dilution	<u>\$.02</u>	<u>\$.01</u>
	*****	*****